

CALIFORNIA ENERGY COMMISSION
Electricity Committee

**LOWERING THE EFFECTIVE COST OF CAPITAL FOR
GENERATION PROJECTS**

CALIFORNIA CREDIT POLICIES

JUNE 27, 2006 WORKSHOP IN SACRAMENTO, CALIFORNIA
California Energy Commission
Hearing Room A

AGENDA

I. Introductions and Opening Remarks – 9:30 AM

- Joseph Desmond, Undersecretary of Energy Affairs
- John Geesman, Commissioner, California Energy Commission
- John Bohn, Commissioner, California Public Utilities Commission
- Eric Saltmarsh, Executive Director, Electricity Oversight Board

II. Review of Current Credit Requirements – 9:45 AM to 10:00 AM

Power Purchase Agreement (PPA) Credit Requirements Presenter:
Richard O'Connell, Black and Veatch

- Pre- and Post-Commercial Operations
- California Investor-Owned Utilities
- Municipal Utilities
- Other States
- Comparative Analysis

III. Issues for Private Power Developers – 10:00 AM to 12:00 PM

Panel 1

Panel Moderator: *Steve Zaminski (Starwood Energy Group)*

Panel Members:

Kevin McSpadden	(Milbank, Tweed, Hadley & McCloy)
Thomas King	(US Renewables Group, Executive VP - Finance)
Joe Greco	(Caithness, Western Development, VP)
John Seymour	(Florida Power & Light Energy, Executive Director)
John Tormey	(Constellation Generation, Senior Counsel)
Tom Lumsden	(FTI Consulting)
Tom French	(CA ISO, Director of Loads and Resources)
Fong Wan	(PG&E, VP - Electric Resources)
Pedro Pizarro	(SCE, SVP - Power Procurement)
Teresa (Terry) Farrelly	(SDG&E, VP - Electric & Gas Procurement)

Panel 1 Topic Areas:

Power Purchase Agreement Credit Requirements:

- Rationale behind the current credit requirements
 - i. Purpose
 - I. Pre-Commercial Operations
 - II. Post-Commercial Operations (mark-to-market)
 - ii. Type / Form (Letters of Credit, parent guarantee, cash)
 - iii. Rationale for size
- Historical PPA credit requirements
 - i. Types
 - ii. Perspective on results
- Observations about renewable projects
 - i. Size
 - ii. Entrepreneurial developers
- Nonquantitative impact of current credit requirements
 - i. Effect of credit requirements on small developers
 - ii. Self selection of bidders
- Quantitative impact of credit requirements on rates
- Project level example
- Extrapolation to all new build
- Implications in meeting RPS requirements

PPA Interconnection Issues:

- Process and timing to determine cost
 - i. Physical interconnection costs
 - ii. Potential system upgrade costs
 - I. Timing of firm cost determination
 - iii. Risk to private developers
- Who pays?
 - i. Generator
 - ii. Utility
 - iii. Socialized
 - iv. Ratepayer

******* LUNCH BREAK *******
12:00 PM – 1:30 PM

IV. Alternative Approaches – 1:30 PM to 4:30 PM

Panel 2

Panel Moderator: *Gary Ackerman, Western Trading Forum*

Panel Members:

Kevin McSpadden	(Milbank, Tweed, Hadley & McCloy)
John Buehler	(Energy Investors Fund)
John Flory	(North American Energy Credit and Clearing Corp)
Joe Greco	(Caithness, Western Development, VP)
John Seymour	(FPL Energy, Executive Director)
John Tormey	(Constellation Generation, Senior Counsel)
Fong Wan	(PG&E, VP - Electric Resources)
Bobby Little	(SCE, Director - Risk Control)
Teresa (Terry) Farrelly	(SDG&E, VP - Electric & Gas Procurement)
Russell Read	(Cal PERS, CFO)
Curtis Kebler	(Goldman Sachs - Regulatory Affairs)
Partho Ghosh	(Marsh Alternative Risk Solutions, SVP - Financial Risk Products)

Panel 2 Topic Areas:

Power Purchase Agreement Credit Requirements:

- Step-in Rights
- Insurance Products
- Risk Pooling
- Reduction in Current Credit Requirements
- Physical Clearing
- Others

PPA Interconnection Issues:

- Pass through of actual costs
- Determine costs upfront / Pre-PPA

V. Questions and Answers

VI. Future Topics and Next Steps